

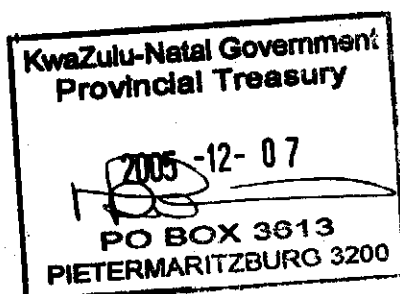
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# MPOFANA MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS 30 JUNE 2005



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## FOREWORD

The year has been a difficult one for the Municipality due to the very precarious cash flow situation and capacity related challenges that we have continued to experience.

Since this is the last term of this Council, it is important to mention that for the first time, the Municipality has been able to produce financial statements for the current financial year as opposed to previous instances where the Municipality had been tackling huge backlogs. Therefore, a solid foundation has been laid for the next Council to be in a position to produce financial statements in time and also comply with the Municipal Finance Management Act.

Despite these challenges that the Municipality is facing, we have also been able in the previous year to provide free 6kl of water to all our communities. The Municipality continues to face huge challenges in the maintenance and development of infrastructure which could help to attract investments that would stimulate job creation.

There have been a few achievements over the past years worth mentioning. These achievements include the upgrade of the water supply system as well as the eradication of the bucket system in Bruntville. We have also been able to attract a huge investment totaling R350m and hope that it will create necessary job opportunities and also have spin offs to the economy of the Municipality.

Various initiatives have been explored to unblock blockages that impede on local economic development initiatives

We will continue to develop strategies to improve on debt collection and improve our negative cash flow situation.



CLLR M.S. MTHETHWA

DATE 31.08.05

## TOWN TREASURER'S REPORT

### 1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in Appendices D and E.

The overall operating results for the year ended 30 June 2005 are as follows:

INCOME	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual / Budget %
Opening Surplus	4,411,499	8,747,698			
Operating income for the year	24,311,013	27,743,602	14%	34,510,784	80%
	28,722,512	36,491,300		34,510,784	
EXPENDITURE					
Operating expenditure for the year	17,526,524	22,488,591	28%		65%
Sundry Transfers	2,448,290	10,794,437			
Closing Surplus	8,747,698	-3,207,272			
	28,722,512	30,076,756			

### 2. RATES AND GENERAL SERVICES

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual / Budget %
Income	16,401,827	10,529,345	(35%)	6,936,640	(152%)
Expenditure	11,533,917	1,635,516	(85%)	2,165,605	(76%)
Closing Deficit/Surplus	4,867,910	8,893,829		4,771,035	
Surplus /(Deficit) as % of total income	29.68	84.47		68.78	

Incorporated under the heading 'Rates and General Services' are: Community Services, Subsidised Services and Economic Services. (See Appendix E)

Increase in income and expenditure for the year results in increased in government and provincial grants and subsidies which is evidenced in Appendix D and E.

### 3. TRADING SERVICES

#### 3.1. WATER SERVICE

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Income	2,425,949	-	2,425,949	-	-
Expenditure	594,960	-	594,960	-	-
Closing Surplus	1,830,989	-	1,830,989	-	-
Surplus / (Deficit) as % of total income	75.48		75.48		

The variance on income is due to the transfer of the function to the District Municipality.

#### 3.2. ELECTRICITY SERVICE

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Income	5,252,202	4,670,602	11%	7,265,987	64%
Expenditure	5,365,346	5,335,068	0,5%	8,719,016	
Closing Surplus	(113,144)	(664,466)		(1,453,029)	
Surplus / (Deficit) as % of total income	(2.15)	(14.23)		(20.00)	

The variance on the income arise as a result of tampering, the municipality will therefore be putting in place control measures for the illegal connection and tampering on the electricity supply.

#### 3.3. HOUSING SERVICE

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Income	231,036	259,251	12%	29,900	67%
Expenditure	32,301	10,364	68%	30,414	35%
Closing Surplus	198,735	248,887		(514)	
Surplus / (Deficit) as % of total income	86.02	96.00		(1.72)	

The variance on the expenditure is due to maintenance done during the year on the properties.

#### 4. CAPITAL EXPENDITURE AND FINANCING

	2005 ACTUAL R	2005 BUDGET R	2004 ACTUAL R
Land & Buildings	-	-	871,176
Council	1,303,935	13,166,215	78,544
Electricity - reticulation	-	-	1,194
Parks & Recreation	-	-	8,000
Testing Ground	95,735	-	26,220
Finance	163,838	3,071,250	526,519
Roads	114,255	-	6,800
Library	9,907	-	8,000
Water reticulation	-	-	5,998,460
	1,687,670	16,237,465	7,524,912

Resources used to finance the fixed assets were as follows:

	2005 ACTUAL R	2005 BUDGET R	2004 ACTUAL R
Consolidated Capital Development Fund	-	1,730,000	43,414
Contributions from reserves	-	-	-
Grants	1,677,756	13,166,215	7,474,698
Land use Public Improvement Fund	-	-	-
Public Improvement Fund	-	-	-
Revenue	9,914	1,341,250	6,800
	1,687,670	16,237,465	7,524,912

## **5. EXTERNAL LOANS, INVESTMENTS AND CASH**

Details of all external loans can be found in 'Appendix B'. On 30 June 2005 the outstanding external loans amounted to R1,468,805. An amount of R507,842 was repaid on External Loans.

Investments at 30 June 2005 amounted to R3,692,069 (R5,443,078 in 2004).

More information regarding investments is disclosed in the notes to the financial statements.

## **6. FUNDS AND RESERVES**

Information regarding funds and reserves are disclosed in Appendix A and in the notes 1 and 2 of the financial statements.

## **7. DEBTORS**

As at 30 June 2005 the total amount of outstanding debtors was R21,318,075. The provision for bad debts amounts to R4,896,669.

## **8. CONCLUSION**

The Mayor, Councillors, the Municipal Manager, Departmental Heads are thanked for the support they have given to the staff of the Treasury Department.

**Chief Financial Officer  
Mpofana Municipality**

## **ACCOUNTING POLICIES**

### **1. BASIS OF PRESENTATION**

- 1.1. These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Financial Officers in its Code of Accounting Practice (1998) and Report on Published Annual Financial Statements (Second edition – January 1997)
- 1.2. The financial statements are prepared on the historical cost basis, adjusted, for fixed assets as more fully detailed in Accounting Policy note 3. the accounting policies are consistent with those applied in the previous year except if otherwise indicated.
- 1.3. The financial statements are prepared on the accrual basis as stated:
  - Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licenses.
  - Expenditure is accrued in the year it is incurred.

### **2. CONSOLIDATION**

The balance sheet includes Rates and General Services, Housing Services, Trading Services as well as the various funds, reserves and provisions. All inter-departmental transactions have been offset against each other, with the exception of assessment rates, electricity, refuse removal and water, which have been shown as income and expenditure under the respective departments.

### **3. FIXED ASSETS**

- 3.1. **Fixed assets are stated:**
  - at historical cost; or
  - at valuation (based on market price at the date of acquisition) where assets have been obtained by means of grants or donations.

Whilst they exist and are serviceable except in the case of bulk assets, which are written off at the end of their estimated life as determined by the Treasurer.



### **3.2. Depreciation:**

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation. However, certain structural differences between the two concepts do exist. In terms hereof assets financed from "Provisions" are written off over their estimated useful life. In addition to the various Council funds assets can also be acquired as follows:

- Appropriations from income, where the total cost of an asset becomes an immediate and direct charge against the operating income, and it is therefore not necessary to make any further provision for depreciation.
- Grants or donations where the amount which represents the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

3.3. All net returns from the sale of fixed property (land) is credited to the Public Improvement Fund. The net returns on the sale of all other assets is credited to the respective Capital Development Fund.

3.4. Loans and advances are repaid over the estimated useful life of the asset which is financed from such loan or advance. Advances are redeemed according to the fixed instalment method and commence in the year which follows the financial year in which the advance was made. Interest is charged to the service concerned at the ruling interest rate applicable at the time the loan was negotiated or in the case of advances, at the interest rate as determined by the Council in terms of Section 103 of Local Authorities Ordinance, Natal (25 of 1974).

## **4. STOCK**

Stock is valued at the lower cost, determined on the weighted average basis and net realisable value. Stock that is surplus or in deficit at the year end stock take is brought to account when the Council resolved to write-off deficits and approves surpluses.

## **5. FUNDS AND RESERVES**

### **5.1. Capital Development Fund**

The Capital Development Fund (Ordinance 25 of 1974) requires that a local authority makes a minimum contribution of 3% of its defined income from the current financial year to the fund. Advances are made to borrowing services at an interest rate which is determined annually and approved by Council.

**5.2. Leave pay reserve:**

The Leave Pay Reserve is to provide for accrued leave payments to all employees who are resigning or retiring from service as well as commutation of leave accruals during the year.

**5.3. Bad debts**

Provision for bad debts has been provided for in the Housing Service and for Bruntville.

**5.4. Restructure reserve**

This reserve was created on instruction from the Department of Finance to address the socio imbalance of the past with respect to the disadvantaged areas.

**6. RETIREMENT BENEFITS**

Mooi River and its employees contribute to the Natal Joint Pension Funds and Mooi River and some of the Councillors contribute to the Municipal Councillors Pension fund. Ex-Bruntville employees contribute to the Sala Pension Fund.

The retirement benefit plan is subject to the Pension Act 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating expenditure on the basis of current service costs.

Full actuarial valuations are performed at least every three years.

**7. SURPLUSES AND DEFICITS**

All surpluses or deficits arising from the operation of the Electricity, Water, Sewerage and Rates and General Services are kept in the relevant funds.

**8. TREATMENT OF ADMINISTRATIVE AND OTHER OVERHEAD EXPENSES**

The cost of internal support services are transferred to the different services in relation to the income generated by each service.

## **9. INVESTMENTS**

Investments are in accordance with the provision of the Local Authorities Ordinance No. 25 of 1974. Interest accrued at 30 June 2001 on all investments was brought to account.

## **10. INCOME RECOGNITION**

### **10.1 ELECTRICITY AND WATER BILLINGS**

Meters are read and billed on a monthly basis.

### **10.2 ASSESSMENT RATES**

A general rate is levied on both the land and building values of a property. Water and sewer rates are levied as a set charge against each and every property. Rebates are granted to special and general residential properties as well as industrial and commercial properties.

### **10.3 BRUNTVILLE SERVICES**

A flat service charge is levied for all properties in Bruntville in respect of refuse removal water usage and sewer disposal.

**MPOFANA LOCAL MUNICIPALITY**

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**BALANCE SHEET AS AT 30 JUNE 2005**

	Note	2004/2005 R	2003/2004 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		18,741,821	20,301,915
Funds	1	15,065,279	15,442,801
Reserves	2	3,676,542	4,859,114
(ACCUMULATED DEFICIT)/RETAINED SURPLUS	18	3,207,272	8,747,695
		21,949,093	29,049,610
TRUST FUNDS	3	1,715,423	375,736
LONG-TERM LIABILITIES	4	1,250,000	2,276,200
CONSUMER DEPOSITS: SERVICES	5	300,679	323,968
		25,215,195	32,025,514
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	6	2,565,469	3,405,975
INVESTMENTS	7	380,213	380,213
LONG TERM DEBTORS	8	2,630,737	2,934,286
		5,576,419	6,720,474
NET CURRENT ASSETS/LIABILITIES		19,638,776	25,305,040
CURRENT ASSETS		25,015,203	32,297,837
Stock	9	362,217	365,365
Debtors	10	21,318,075	26,830,745
Cash			
Short-Term Portion of Investments	7	3,311,856	5,062,865
Petty Cash		753	753
Short-Term Portion of Long Term Debtors	8	22,302	38,109
CURRENT LIABILITIES		(5,376,427)	(6,992,797)
Provisions	12	767,448	1,918,227
Creditors	13	3,471,027	2,536,943
Short-Term Portion of Long Term Liabilities	4	218,805	533,111
Bank Overdraft		919,147	2,004,516
		25,215,195	32,025,514

# MPOFANA LOCAL MUNICIPALITY

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2003/2004 Actual Income R	2003/2004 Actual Expenditure R	2003/2004 (Deficit)/ Surplus R		2004/2005 Actual Income R	2004/2005 Actual Expenditure R	2004/2005 (Deficit)/ Surplus R	2004/2005 Budget (Deficit)/ Surplus R
17 901 284	11 533 917	6 367 367	RATES AND GENERAL SERVICES	20,914,094	14,168,128	6745966	28316428
10 825 892	7 310 556	3 515 336	Community Services	16,984,918	8,997,329	7,987,589	17974830
566 342	1 389 157	(822 815)	Subsidised Services	966,452	2,156,440	(1189988)	(2,135,939)
6 509 050	2 834 204	3 674 846	Economical Services	2,962,724	3,014,359	(51,635)	526,320
231 036	32 301	198 735	HOUSING SERVICES	259,251	26,565	232,686	49,833
6 178 694	5 960 306	218 388	TRADING SERVICES	6,570,257	8,234,818	(1,664,561)	434,517
<u>24 311 014</u>	<u>17 526 524</u>	<u>6 784 490</u>	<b>TOTAL</b>	<u>27,743,602</u>	<u>22,429,512</u>	<u>5314091</u>	<u>4689860</u>

(2448290) Appropriations for the year

(10854516)

4336200 **Nett surplus(deficit) for the year**

(5540425)

Unappropriated surplus(deficit)  
4 411 498 at the beginning of the year

8,747,698

**UNAPPROPRIATED SURPLUS(DEFICIT)AT  
8747698 THE END OF THE YEAR**

3207273

**MPOFANA LOCAL MUNICIPALITY**

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**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2004/2005 R	2003/2004 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES:</b>		2 164 824	(15 501 160)
Cash generated by operations	19	(6 204 316)	(16 059 359)
Investment income		242 440	2 414 437
Decrease / (Increase) in working capital	20	6 449 902	(7 504 967)
			(21 149 889)
LESS: External interest paid		(360 708)	178 101
		1 273 18	
<b>Cash available from operations</b>			(20 971 788)
Consumer Deposits Refunded/Received		(23 289)	40 478
Cash contributions from the public and State		2 060 795	5 383 629
NET proceeds on disposal of fixed assets			46 521
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Investment in Fixed Assets		(1 687 670)	7 524 913
<b>NET CASH FLOW</b>		<u>(477 154)</u>	<u>(7 976 247)</u>
<b>CASH EFFECTS OF FINANCING ACTIVITIES:</b>			
Decrease / (Increase) in Long-term Loans	21	(507 842)	(430 668)
Decrease / (Increase) in Long-term Debtors	8	319 356	2 934 286
Decrease/ (Increase) in cash Investments	23	1 751 009	2 530 534
Decrease/ (Increase) in Bank Overdraft	24	(1 085 369)	2 942 095
<b>NET CASH (GENERATED)/UTILISED</b>		<u>477 154</u>	<u>7 976 247</u>

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005**

	2004/2005	2003/2004
<b>1. FUNDS</b>		
Consolidated Capital Development Fund	10,380,135	10,207,604
Housing Fund	3,128,666	3,692,549
Public Improvement Fund	1,556,478	1,542,648
(Refer to appendix A for more detail)	<u>15,065,279</u>	<u>15,442,801</u>
<b>2. RESERVES</b>		
Electrification Reserve (NER)	865,005	415,887
IDP Reserve (Province)	127,072	126,827
Indigent Support Reserve	708,696	698,779
Support Reserve (Province)	31,873	31,427
Restructure Reserve	353,639	348,690
Provincial Grant	470,915	1,049,589
LED Grant	90,001	88,742
Transitional Grant	445,202	1,516,717
Development Plan Grant	147,385	105,157
IDP Grant	73,379	72,352
MSIG Grant	122,908	121,188
Finance System & Admin. Building		157,540
Tourism	77,128	76,049
C.C.I.	59,181	50,170
Bonus Provision Fund	104,158	
(Refer to appendix A for more detail)	<u>3,676,542</u>	<u>4,859,114</u>
<b>3. TRUST FUNDS</b>		
CMIP Projects Funds	1,715,423	375,736
(Refer to appendix A for more detail)	<u>1,715,423</u>	<u>375,736</u>
<b>4. LONG TERM LIABILITIES</b>		
Annuity Loans	1,468,805	28,093,11
	<u>1,468,805</u>	<u>28,093,11</u>
Less: Portion Transferred to current Liability	218,805	533,111
Annuity Loans	218,805	533,111
	<u>1,250,000</u>	<u>2,276,200</u>
(Refer to appendix B for more detail on long term liabilities)		
<b>5. CONSUMER DEPOSITS</b>		
Electricity	216,633	243,107
Water	81,824	80,324
Other	2,222	537
	<u>300,679</u>	<u>323,968</u>

# **NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005**

	2004/2005	2003/2004
<b>6. FIXED ASSETS</b>		
Fixed assets at beginning of year	51,158,518	43,707,783
Capital outlay during year	5,040,000	7,524,912
Less: Assets written off during year	(19,017,943)	(74,177)
<b>TOTAL FIXED ASSETS</b>	<b>37,180,575</b>	<b>51,158,518</b>
Less: Loans redeemed and other capital receipts	(34,615,106)	(47,752,543)
<b>NET FIXED ASSETS</b>	<b>2,565,469</b>	<b>3,405,975</b>
(Refer to appendix C and section 2 of the Treasurer's report for more details on assets)		
<b>7. INVESTMENTS</b>		
LISTED:		
Long Term	380,213	380,213
	<u>380,213</u>	<u>380,213</u>
UNLISTED:		
Short-Term Deposits	3,311,856	5,062,865
Other Deposits	3,311,856	5,062,865
	<u>3,311,856</u>	<u>5,062,865</u>
<b>TOTAL INVESTMENTS</b>	<b>3,692,069</b>	<b>5,443,078</b>
Market value of listed investments, and managements' valuation of unlisted investments		
Listed investments		
Unlisted investments	3,311,856	5,062,865
	<u>3,311,856</u>	<u>5,062,865</u>
Average rate of return on investments (Gross)		
<b>8. LONG TERM DEBTORS</b>		
Vehicle Loans	47,139	366,495
Housing Loans	2,510,073	2,510,073
Electricity Loans	95,827	95,827
	<u>2,653,039</u>	<u>2,972,395</u>
Less: Short-term portion of long-term debtors transferred to current assets	22,302	38,109
	<u>2,630,737</u>	<u>2,934,286</u>
<b>9. STOCK ON HAND</b>		
Main Store	333,693	343,869
Diesel Store	28,524	21,496
Petrol Store	362,217	365,365
	<u>362,217</u>	<u>365,365</u>



**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005**

	2004/2005	2003/2004
<b>10. DEBTORS</b>		
Consumer Debtors	18,494,543	32,230,930
Refuse Debtors	326,361	50,676
Housing Debtors	1,680,414	1,675,928
Consumer Vat Liability	702,226	2,854,366
Interest on Arrears - Debtors	690	690
Consumers Vat	2,292,523	2,799,888
Other debtors	914,999	56,532
Suspense Account	3,196,387	810,702
Rates	10,851	
Consumers - Abeyances	177	
Consumers - Abeyances Vat	25	
	<u>26,214,744</u>	<u>34,770,980</u>
Less: Provision for Bad Debts	<u>(4,896,669)</u>	<u>(794,025)</u>
	<u>21,318,075</u>	<u>26,830,745</u>
<b>11. DEFERRED CHARGES</b>		
Preliminary Expenses		
Commission		
Assets Written Off		
VAT on Erven		
Motor Licence Repayments		
	<u>          </u>	<u>          </u>
<b>12. PROVISIONS</b>		
Accrued Leave	767,448	596,140
Bruntville Provision		183,450
Working Capital Provision		1,138,637
(Refer to appendix A for more detail)	<u>767,448</u>	<u>1,918,227</u>
<b>13. CREDITORS</b>		
Creditors	<del>3,471,027</del>	<del>1,469,365</del>
Trade Creditors	R 988,200	1,195,998
Creditors	437	437
Vat Repaid	R 350,833	272,857
Suspence Account	<u>2,131,557</u>	<u>1,067,651</u>
	<u>3,471,027</u>	<u>2,536,943</u>
<b>14. ASSESSMENT RATES</b>		
Mooi River - Land	29.11 c/R	22.05 c/R
Mooi River - Improvements	1.54 c/R	1.16 c/R
Rosetta Land	11.86 c/R	8.98 c/R
Bruntville Land	48.52 PM	36.75 PM
Townview Land	<u>48.52 PM</u>	<u>36.75 PM</u>

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005**

	2004/2005	2003/2004
<b>15. COUNCILLORS' REMUNERATION</b>		
Mayor's Allowance		54,250
Speaker's Allowance		
Councillors' Allowance		108,500
Councillors' Pensions Contributions		9,765
		<u>172,515</u>
<b>16. AUDITORS' REMUNERATION</b>		
Audit Fees		<u>152,104</u>
<b>17. FINANCE TRANSACTIONS</b>		
Total External Interest Earned or Paid:		
Interest Earned		642,855
Interest Paid		178,101
Capital Charges Debited to Operating Account:		
Interest: External		178,101
Interest: Internal		
Redemption: External		60,238
Redemption: Internal		426,915
Deferred Charges Written Off		<u>665,255</u>
<b>18. APPROPRIATIONS</b>		
APPROPRIATION ACCOUNT:		
Accumulated Surplus at beginning of year	8,747,695	4,411,498
Operating surplus / (deficit) for the year	5,314,093	6,784,487
Appropriations for the year	(10,854,516)	(2,448,290)
Contributions to Capital Development Fund		
Contributions to Capital Expenditure:		
Expenditure previous year	404,070	728,829
Transferred from Sewerage Tariff		
Appropriations Income		(1,058,563)
Accumulated surplus/(deficit) at end of year	<u>3,207,272</u>	<u>8,747,695</u>
Operating Account:		
Capital Expenditure		
Contributions to:		
Audit Fees		
Accrued Leave		
Bursary Fund		
Capital Reserve		
Capital Development Fund		
Expenditure Previous Year		

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005**

	2004/2005	2003/2004
<b>19. CASH GENERATED BY OPERATIONS</b>		
Surplus/(Deficit) for year	5 314 093	6,784,487
Adjustments in respect of:		
Previous years' operating transactions	(14 592 314)	690,689
Appropriations charged against income:	1 528 301	8,074,095
. Capital Development Fund	377 522	
. Provisions and Reserves	1 150 779	41,041
. Fixed Assets		8,033,054
Capital Charges:		
. Interest Paid:		
- to internal funds		
- on external funds	360 708	178,101
. Redemption:		
- of internal advances	922 238	426,915
- of external loans		60,239
. Deferred charges written off		
Government and Provincial Grants and Subsidies	1 687 670	3,966,577
Investment income(operating account)	(242 440)	179,515
Non-operating income:		
. Net income from Insurance Fund		
Non-operating expenditure:		
. Expenditure charged against Provisions and Reserves	(1 182 572)	83,173
. Expenditure Funds		
	<u>(6 204 316)</u>	<u>16,059,359</u>
<b>20. (INCREASE)/DECREASE IN WORKING CAPITAL</b>		
Decrease / (Increase) in Stock	3 148	(157 079)
Decrease / (Increase) in Debtors	5 512 670	(7 983 328)
Decrease / (Increase) in Creditors	934 084	635 440
	<u>6 449 902</u>	<u>7 504 967</u>
<b>21. INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTER)</b>		
Loans repaid	500 000	430 668
	<u>500 000</u>	<u>430 668</u>
<b>22. INCREASE/(DECREASE) IN SHORT TERM LOANS(INT)</b>		
Loans repaid	7 842	-
	<u>7 842</u>	<u>-</u>

# **NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005**

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	2004/2005	2003/2004
<b>23. (INCREASE)/DECREASE IN EXTERNAL INVESTMENTS</b>		
Investments realised	3 313 184	2 548 679
Investments made	<u>(1 562 175)</u>	<u>(18 145)</u>
	<u>1 751 009</u>	<u>2 530 534</u>
<b>24. (INCREASE)/DECREASE CASH ON HAND</b>		
Cash balance at the beginning of the year	2 003 763	938 332
Less: Cash balance at the end of the year	<u>918 394</u>	<u>2 003 763</u>
	<u>1 085 369</u>	<u>2 942 095</u>

# **MPOFANA LOCAL MUNICIPALITY**

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## **ANNEXURE A**

### **ACCUMULATED FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS AS AT 30 JUNE 2005**

	Balance at 30/06/2004 R	Contributions During the year R	Interest on Investments R	Other Income R	Expenditure During the year R	Capital Exp. During the year R	Balance at 30/06/2005 R
<b>ACCUMULATED FUNDS</b>							
Consolidated Capital Development Fund	10,207,604	684,368			511,837		10,380,135
Public Improvement Fund	1,542,648	13,830					1,556,478
Housing Operating Account	3,692,549	678,297			1,242,180		3,128,666
	15,442,801	1,376,495			1,754,017		15,065,279
<b>TRUST FUNDS</b>							
CMIP Project Fund	375,736	4,692,018			3,352,331		1,715,423
	375,736	4,692,018			3,352,331		1,715,423
<b>RESERVES</b>							
Electrification Reserve (NER)	415,887				94,634		865,005
I D P Reserve (Province)	126,827	1,800			1,555		127,072
Indigent Support Reserve	698,779	9,917					708,696
Support Reserve (Province)	31,427	446					31,873
Restructure Reserve	348,690	4,949					353,639
Provincial Grant	1,049,589	813,125			1,391,799		470,915
LED Grant	88,742	1,259					90,001
Transitional Grant	1,516,717	21,525			1,093,040		445,202
Development Plan Grant	105,157	100,000			57,773		147,385
MSIG Grant	121,188	1,720					122,908
HIV/Aids Action Plan Grant							
I D P Grant	72,352	1,027					73,379
Finance System & Admin. Building	157,540	920,079			1,077,619		
Tourism	76,049	1,079					77,128
C.C.I	50,170	15,000			5,989		59,181
Bonus Provision Fund		104,158					104,158
	4,859,114	1,996,084			3,722,409		3,676,542
<b>PROVISIONS</b>							
Bruntville	183,450				183,450		
Staff Leave	596,140	588,226			416,918		767,448
Working Capital	1,138,637				1,138,637		
	1,918,227	588,226			1,739,005		767,448

# **MPOFANA LOCAL MUNICIPALITY**

## **ANNEXURE B**

### **EXTERNAL LOANS AND INTERNAL ADVANCES**

	Balance at 30/06/2004	Received During the year	Redeemed or Written off During the year	Balance at 30/06/2005
<b>EXTERNAL LOANS</b>	R	R	R	R
<b>ANNUITY LOANS</b>				
Sewer Services:-				
15.60% Development Bank of South Africa	191 816		191816	
16.32% Development Bank of South Africa	478 001		478001	
Water Services:-				
7.00% Development Bank of South Africa				
8.00% Development Bank of South Africa	2 351		2351	
8.00% Development Bank of South Africa	1 165		1165	
14.50% Development Bank of South Africa	159 332		159332	
Electricity Services:-				
10.25% Development Bank of South Africa				
14.30% Development Bank of South Africa	178 508		6614	171894
14.85% Development Bank of South Africa	48 138		1228	46910
	1 059 311		840507	218,804

	Balance at 30/06/2004	Received During the year	Redeemed or Written off During the year	Balance at 30/06/2005
<b>BRIDGING FINANCE</b>	R	R	R	R
9.12% Msekeli Municipal Support Services	1,750,000		250,000	1,250,000
	1,750,000		250,000	1,250,000

	Balance at 30/06/2004	Received During the year	Redeemed or Written off During the year	Balance at 30/06/2005
<b>INTERNAL ADVANCES TO BORROWING SE</b>	R	R	R	R
Consolidated Capital Development Fund	8 084 523	451417		8535940
Public Improvement Fund	77 532	9200		86732
Housing Operating Account	2 491 297			2,091,297
	10 653 352	460,617		10,713,969

**MPOFANA LOCAL MUNICIPALITY**

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**ANNEXURE C**

**ANALYSIS OF FIXED ASSETS**

Expenditure 2004 R	SERVICE	Budget 2005 R	Balance at 30/06/2004 R	Expenditure 2005 R	Written off, transferred or redeemed R	Balance at 30/06/2005 R
1 525 259	<b>RATE AND GENERAL SERVICES</b>		35 964 076	2 834 110	8 039 931	30 858 255
1 491 039	<b>COMMUNITY SERVICES</b>		10 701 246	588 417		11 287 663
76 544	Administration		80 357	18 818		108 975
679 176	Council General Expenses		1 169 606	390 561		1 560 166
	Public Health Conveniences		12 130	8 139		12 130
	Public Works		489 358	9 260		495 497
8 800	Roads and Stormwater		8 312 701			8 321 961
	Traffic Control		100 676			100 576
526 519	Finance and Admin.		526 519	183 839		690 358
8 000	<b>SUBSIDISED SERVICES</b>		589 201	107 187		696 388
	Municipal Buildings		410 663			410 663
	Fire Protection					
	Library		22 122	9 908		32 030
8 000	Museum		26 950			26 950
	Parks and Recreation		49 121			49 121
26 220	Town Hall		80 345	97 279		177 624
	<b>ECONOMIC SERVICES</b>		24 973 829	2 240 506	8 039 931	18 674 204
	Brunville		18 810 767		1 788 306	17 022 421
	Public Health Administration		9 066			9 066
	Public Health Refuse		845 531			845 531
	Sewerage		5 005 125	1 246 440		133 578
26 220	Rossella		133 578	95 736		147 940
	Testing Ground		82 206			17 337
	Town Estates		17 337	888 331		888 331
	L.E.D					
	<b>HOUSING SERVICES</b>		320 711			320 711
	Economic Housing		320 711			320 711
5 998 654	<b>TRADING SERVICES</b>		14 169 218	4 598 770	12 766 378	6 001 610
1 194	Electricity		6 001 610			6 001 610
5 998 460	Water		8 167 608	4 598 770	12 766 378	
	<b>PUBLIC IMPROVEMENT FUND</b>		704 514		704 514	
7 624 913	<b>TOTAL FIXED ASSETS</b>		51 158 519	7 532 880	21 510 823	37 180 576
8 271 350	<b>LESS: CAPITAL REDEEMED AND OTHER</b>					
551 556	<b>CAPITAL RECEIPTS</b>		47 752 543	5 880 508	19 017 943	34 615 108
8 800	Loans redeemed and advances repaid		22 280 180	840 508	1 122 000	21 998 667
	Contributions ex operating income		1 027 301	8 915		1 037 215
	Provisions and reserves		8 000			6 000
7 712 994	Grants and subsidies		20 813 402	5 030 066	17 698 943	7 947 544
	Sale of Assets		48 080			48 080
	Unspent Water Endowment		650			650
	Brunville Subsidies and Acc. Funds		3 578 940			3 578 940
746 437	<b>NET FIXED ASSETS</b>		3 405 826	1 652 374	2 492 880	2 565 470

**MPOFANA LOCAL MUNICIPALITY****ANNEXURE D****ANALYSIS OF OPERATING INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 30 JUNE 2005**

Actual 2003/2004 R	Actual 2004/2005 R	Budget 2004/2005 R
<b>INCOME</b>		
5 383 629 Government and Provincial Grants and Subsidies	7,320,976	9,651,996
3 230 048 Assessment Rates Income	3,659,775	3,876,056
5 029 176 Electricity Sales	4,005,789	5,139,531
10 052 810 Other Income	12,757,062	11,989,268
615 349 Water Sales		2,344,778
<b>24 311 012 Total Income</b>	<b>27,743,602</b>	<b>33,001,629</b>
<b>EXPENDITURE</b>		
8 226 482 Salaries, Wages and Allowances	9,711,104	11,867,155
General Expenses:		
3 952 561 - Electricity Purchases	4,247,611	4,500,000
4 400 624 - Other Expenses	3,233,663	7,646,960
660 676 Repairs and Maintenance	571,052	2,585,280
238 340 Capital Cost	4,608,318	4,898,788
6 800 Contributions to Capital Outlay	9,914	1,341,250
41 041 Contributions to Funds	47,850	2,079,847
<b>17 526 524 Gross Expenditure</b>	<b>22,429,512</b>	<b>34,919,280</b>
Less: Amounts Charged Out		
<b>17 526 524 NET EXPENDITURE</b>	<b>22,429,512</b>	<b>34,919,280</b>



# MPOFANA LOCAL MUNICIPALITY

## ANNEXURE E

### DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2003/2004 Actual Income	2003/2004 Actual Expenditure	2003/2004 (Deficit)/ Surplus		2004/2005 Actual Income	2004/2005 Actual Expenditure	2004/2005 (Deficit)/ Surplus	2004/2005 Budget (Deficit)/ Surplus
17 901 284	11,533,917	6 367 367	<b>RATE AND GENERAL SERVICES</b>	20,914,094	14,168,128	6745966	28318428
10 825 892	7 310 558	3 515 336	<b>COMMUNITY SERVICES</b>	16,984,918	8,997,329	7987589	17975830
822 825	1 442 089	(619 264)	Finance and Administration	6,869,570	1,747,237	5122333	4852044
4 393 236		4 393 236	Assessment Rates	3,659,775		3659775	3876056
4 850 732	2 909 621	1 941 111	Council General Expenses	4,888,382	4,853,918	234466	(1853150)
	44 705	(44 705)	Public Health Conveniences		1,313	(1313)	(11833)
	135 767	(135 767)	Public Street Cleaning		2,511	(2511)	(10000)
5 619	751 394	(745 775)	Public Works (Civil Services)	368,446	113,768	254680	311180
	1 459 719	(1 459 719)	Roads and Drains	226,165	1,461,178	(1235013)	(2201850)
753 480	304 123	449 357	Traffic Control	972,580	480,226	492354	1385156
	236 343	(236 343)	Workshop		429,690	(429690)	(332674)
	26 795	(26 795)	Planning and Development		107,492	(107492)	
566 342	1 389 157	(822 815)	<b>SUBSIDISED SERVICES</b>	966,452	2,156,440	(1189988)	(2135939)
20 304	58 490	(38 186)	Museum	29,897	58,898	(29001)	
			Municipal Buildings				
513 169	793 349	(280 180)	Public Health Services (Clinics)	894,129	1,140,526	(246397)	(906776)
60	181 771	(181 711)	Library		192,943	(192943)	(363027)
27 670	129 811	(102 141)	Cemetery	37,350	37,680	(330)	(44124)
	146 586	(146 586)	Parks and Recreation		584,309	(584309)	(623565)
5 139	79 150	(74 011)	Town Hall	5,076	142,084	(137008)	(198447)
6 509 050	2 834 204	3 674 846	<b>ECONOMIC SERVICES</b>	2,962,724	3,014,359	(51635)	526320
	109 838	(109 838)	Public Health Administration		3,395	(3395)	39712
3 047 826	660 631	2 387 195	Cleansing	1,627,989	1,021,357	606632	254790
936 057	112 552	823 505	Licensing	206,191	183,411	22780	870076
2 237 760	1 471 856	765 904	Sewerage	123,250	1,214,897	(1091647)	(85937)
202 102	478 747	(276 645)	Testing Grounds	952,194	547,261	404933	(592199)
85 305	580	84 725	Town Estates	53,100	44,038	9062	39878
231 036	32 301	198 735	<b>HOUSING SERVICES</b>	259,251	26,565	232686	49833
231 036	32 301	198 735	Economic Housing	259,251	26,565	232686	49833
6 178 694	5 960 308	218 386	<b>TRADING SERVICES</b>	6,570,257	8,234,818	(1664561)	434517
5 252 202	5 365 346	(113 144)	Electricity	4,670,602	5,652,987	(982385)	412537
926 492	594 960	331 532	Water	1,899,655	2,581,831	(682176)	21980
24 311 014	17 526 524	6 784 490	<b>TOTAL</b>	27,743,602	22,429,512	5314091	4689860
	(2,448,290)		Appropriations for this year (refer to note 18)		(10,854,518)		
	4336200		Net surplus(deficit) for the year		(5,540,425)		
	4 411 498		Accumulated surplus/deficit beginning of the year		8,747,698		
	8747698		Accumulated surplus/(deficit) end of the year		3,207,273		

**MPOFANA MUNICIPALITY****APPENDIX F****STATISTICAL INFORMATION****2005****General Statistics**

Population

Registered Voters

Area (km square)

Property Valuation at 1 July 2003

Land

**12,095,100**

Buildings

**85,684,500**

Number of Properties:

Assessment Rate:

General Rate (per Rand)

Mooi River - Land

**24.26**

- Buildings

**1.28**

Mooi River - Special Residential

**20%**

- General Residential

**20%**

- Commercial

**10%**

- Industrial

**10%**

Rosetta - Land

**9.88**

- Buildings

**-**

Rosetta - Rebate All Zoning

**-**

Bruntville - Land Flat Rate

**40.43****Electricity Statistics**

Units (kWh) purchased ('000)

**22,483,098**

Units (kWh) sold ('000)

**13,903,087**

Units (kWh) lost in distribution ('000)

**8,580,011**

Percentage lost in distribution

**38%**

Cost per unit sold

**R 0.16**

Income per unit sold

**R 0.26****Water Statistics**

Kl Sold

**295,680**

Income per kl sold

**1.71**